

Provide Entertainment
Options To Adults,
With Integrity, To
Support Education in
South Carolina.

SOUTH CAROLINA  EDUCATION LOTTERY



South Carolina Education Lottery Commission

**John C.B. Smith, Jr., Attorney, Columbia,
Chairman**

Tim Madden, Attorney, Greenville, Vice-Chairman

James J. Bailey Jr., Banker, Charleston, Treasurer

T. Moffatt Burriss, Businessman, Eastover

Edward C. Keith, Physician, Manning

Ashley Landess, SC Policy Council, Columbia

Angela B. Mulholland, Attorney, Charleston

Marvin Quattlebaum, Jr., Attorney, Greenville

one vacancy exists

SCEL Commission Goals

- Integrity
- Lottery managed as a business enterprise
- No politics

**SCEL launch: January 7,
2002**

**\$1,219,171,029 Gross
Sales**

**\$357,716,781
Transferred to**

What Others Say:

**“The SCEL staff
continues to move
mountains, and
shake-up the
industry with new,
innovative ideas.”**

Source: Public Gaming, February, 2003

**“SCEL is on track to
redefine what
jurisdictions can
expect to achieve with
a lottery
start-up.”**

Source: Public Gaming, July 2002

SCEL Comparative Data

| Comparative Data for State FY03 | SC | KY | LA | CO | MN |
|--|-------|-------|-------|-------|--------|
| Population | 4.1 | 4.1 | 4.5 | 4.4 | 5.0 |
| Gross Sales (\$millions) | 726.9 | 673.5 | 311.5 | 391.5 | 330.4 |
| Net Income | 211.8 | 180.7 | 108.8 | 102.5 | 48.1 |
| Admin & Contractual Costs (Not Including Salaries & Benefits) as % of Sales | 4.63% | 5.60% | 7.92% | 6.21% | 10.41% |
| Salaries & Benefits as % of Sales | 1.02% | 1.78% | 2.01% | 2.04% | 3.71% |
| Number of Employees | 140 | 202 | 144 | 128 | 192 |

SCEL Oversight

- Each Commission member receives weekly written briefs.
- The Internal Auditor is employed by and reports directly to the Commission.
- The lottery's marketing strategies and all advertising campaigns are reviewed quarterly by the full Commission.
- SCEL's Independent Auditor is engaged by the Office of the State Auditor and examines the financial statements on an annual basis.
- The Legislative Audit Council performs a management performance audit at least every three years as required by law.
- The Legislative Oversight Committee is required by law to review SCEL's operations at least annually.
- SCEL's central gaming system is subject to annual audit and examination.
- The Multi State Lottery Association conducts security audits at least every two years.
- All SCEL drawings are audited by independent auditors.



Visiting Lotteries to SCEL

Thailand

Ireland

Mexico

Puerto Rico

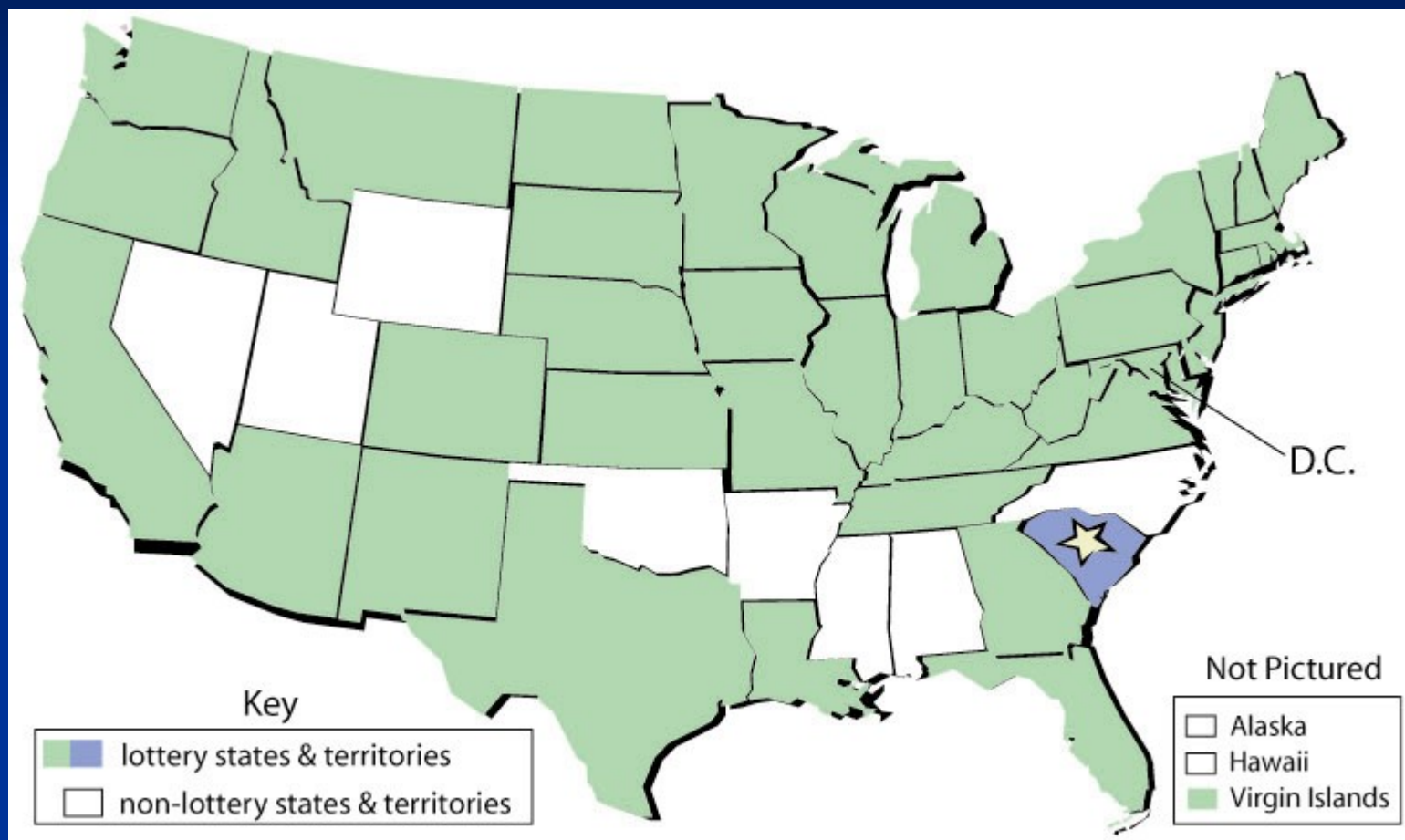
California

Colorado

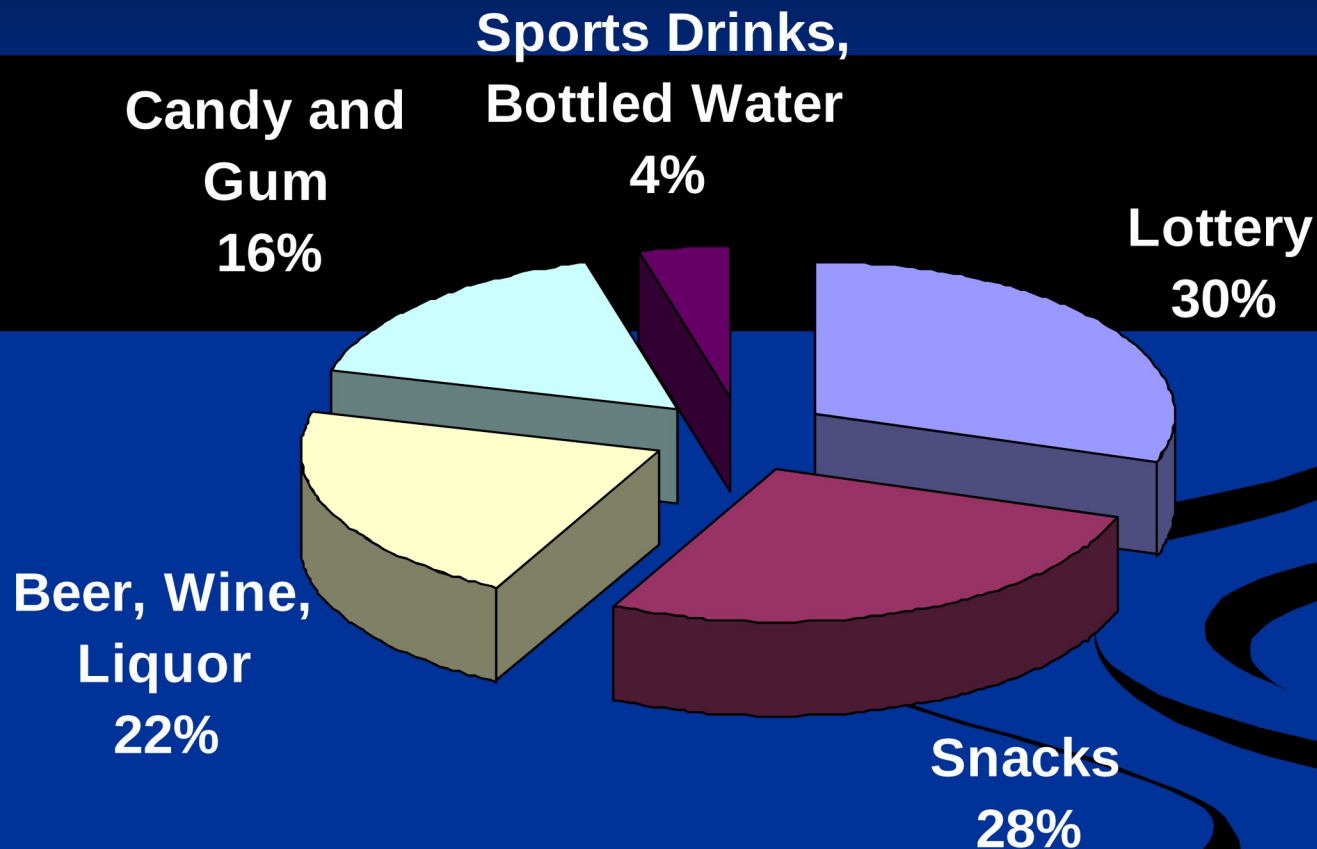
District of Columbia

Tennessee

United States Lottery



The Lottery Industry



Product Comparisons

(source: Scientific Games)

- **Executive Director**

- **Chief Operating Officer** Ernie Passalunghi

- **Director of Legal Service**

Hogan Brown

Tony Cooper

- **Director of Security**

Tom Marsh

- **Director of Finance**

Dusty Rhodes

- **Director of Human Resources**

Ernestine Middleton

- **Internal Auditor**

Bethany Narboni

- **Director of Sales/Marketing**

Pat Koop

- **Director of Information Tech**

Liz Mason

Currently, the Lottery has approximately 144 employees

- 42% Minority

- 52% Female

- 58% Caucasian

- 48% Male

Lottery's budgeted payroll for fiscal year '04 is \$6,856



SCEL Regional Office Locations

Headquarters

1333 Main Street
Suite 400
Columbia, SC 29201
803-737-2002

Midlands Redemption Center

717 Lady Street
Suite C
Columbia, SC 29201
803-253-4004

Greenville Regional Office

18 Augusta Street
Greenville, SC 29601
864-241-5050

Charleston Regional Office

537 Long Point Road
Suite 106
Mt. Pleasant, SC 29464
843-971-1143

Offices are open Monday through Friday
8:30 a.m. to 5:30 p.m.

SCEL Major Contracts



Scientific Games International

- **Online Gaming 6 Year Contract:**
Approximately **\$73 Million**
(Awarded November 2001)
- **Instant Gaming 5 Year Contract:**
Approximately **\$36 Million**
(Awarded October 2001)



Financial Contract
Bank of America
(Awarded December 2001)



Advertising Contract
**Chernoff Newman Silver &
Gregory**

First 12 Months: \$7.5 million

Thereafter, contract limited to 10% of previous year's

Retailer Information

- 5,301 retailers have applied for a license to sell lottery tickets.



- 834 retailers have withdrawn
- 3,539 active retailers



Extrema On-Line and Instant Ticket Terminal



What SCEL's largest retailer ago

The Pantry, has to say...

THE PANTRY

Robert D. Reale
Vice President
H.R. & Support Svcs
P.O. Box 1410
1801 Douglas Drive
Sanford N.C. 27330
919 774-6700 ext. 5690

July 17, 2003

South Carolina Education Lottery Commission
1201 Main Street
Suite 830
Columbia, SC 29201
Attn: Ernie Passailaigue

Dear Ernie,

Congratulations on the SCEL's best week since the start of the South Carolina Lottery. I have to admit it did not surprise me. As you know we operate Lotteries in 7 states. In a very short period of time South Carolina's has become our number one Lottery.

This has happened because of you and a great staff at SCEL. You and your wonderful staff are always looking for new ways to be "the best". Your entire group is ALWAYS responsive to our needs and always willing to listen to our suggestions.

After a "rocky" start you have righted the ship and in my opinion will grow to be the Lottery that all states want to model their Lottery business after.

Thank you for understanding what the business world is about and operating your business with integrity, creativeness, enthusiasm, great communication and immediate follow through.

I look forward to our continued growth and mutual success for our business and the great state of South Carolina.

Sincerely,

Bob Reale
Vice President

BR/sj

**“As you know we
operate Lotteries in
7 states. In a very
short
period of time South
Carolina's has
become our number
one Lottery. This
has happened
because of you and a
great staff at SCEL.”**

INSTANT TICKETS



Online Games



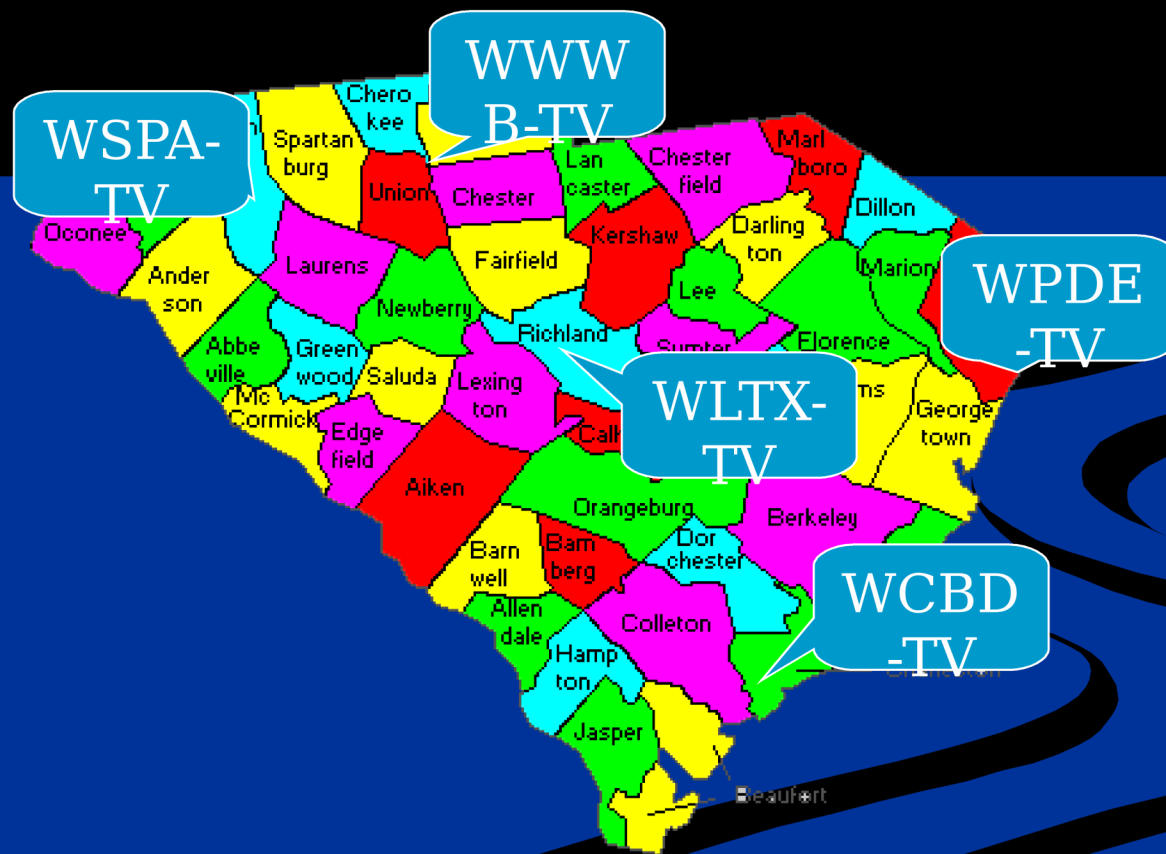
Draw Studio



- Street front, Draw Studio is located at 1333 Main Street in Downtown Columbia.

Draw Station

Television Partners



Multi-State Lottery Association (MUSL)

- **Non-profit association**
- **Owned & operated by state lotteries**
- **Professional staff acting at Board's direction**
- **\$0**
- **MUSL earnings and gains from non-game sources exceed costs of operations.**
- **Excess profits returned to states**



POWERBALL

It's America's Game

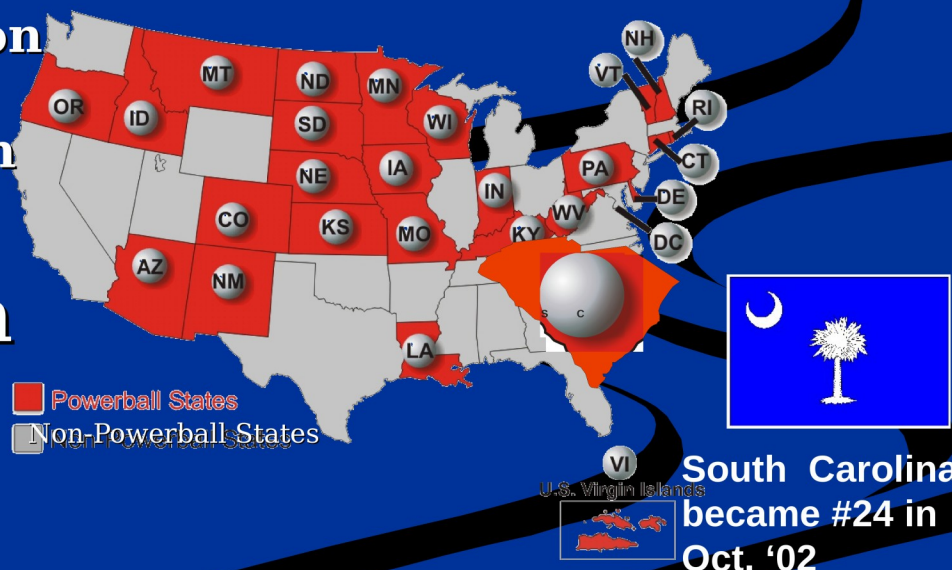
The South Carolina Education Lottery participates in Powerball & The Powerball Instant Millionaire Game Show

Powerball Drawings held **Two Nights** per Week at 10:59 p.m. EST

Minimum Jackpot of **\$10** Million

Largest Jackpot: \$314.9 Million

www.powerball.com



**Powerball is sold in 26 of 40 lotteries in the US & US Virgin Islands*

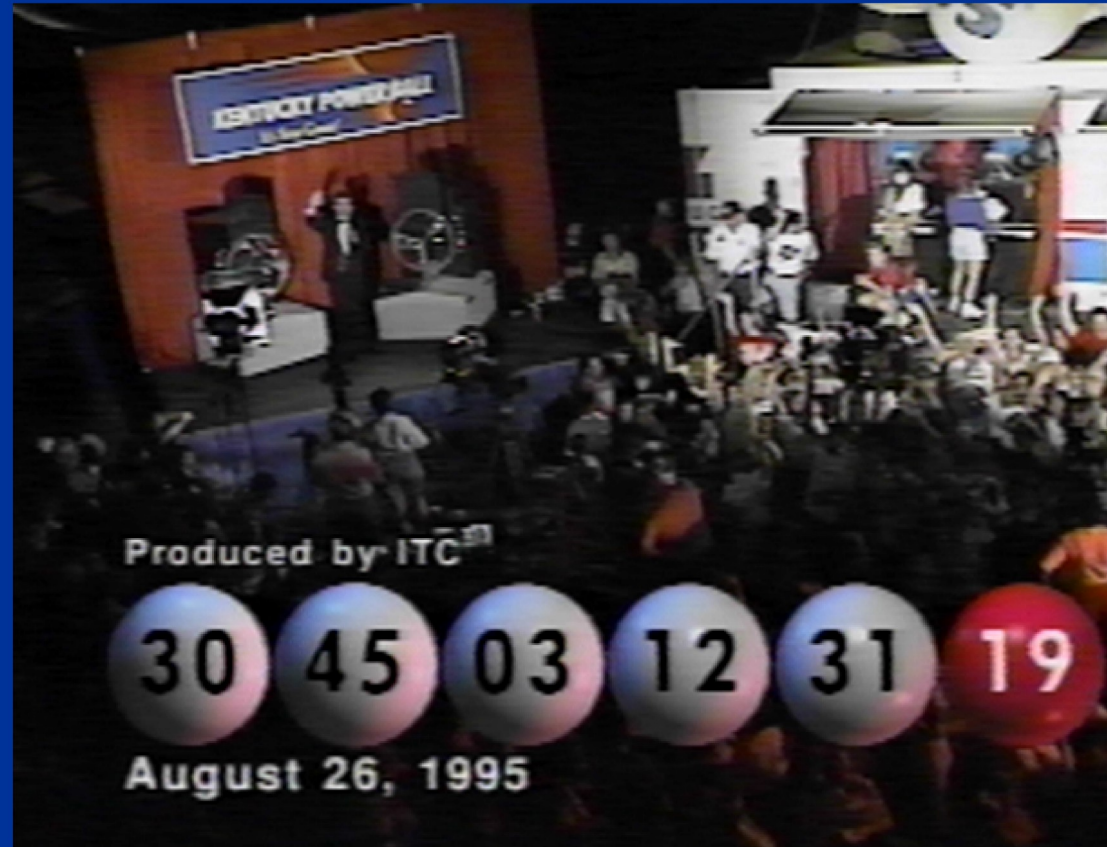
**North Dakota will be joining the Game soon*

*O
n*

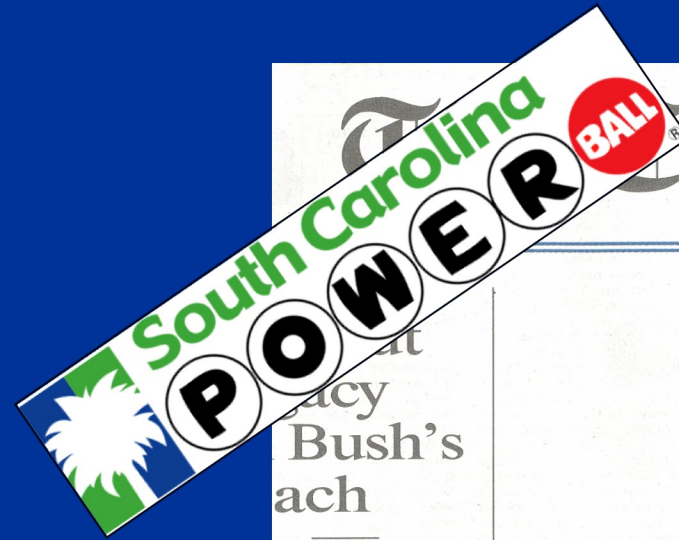
P O W E R BALL

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State Fair in Columbia, SC the week of Octo



Charlotte Observer
www.charlotte.com

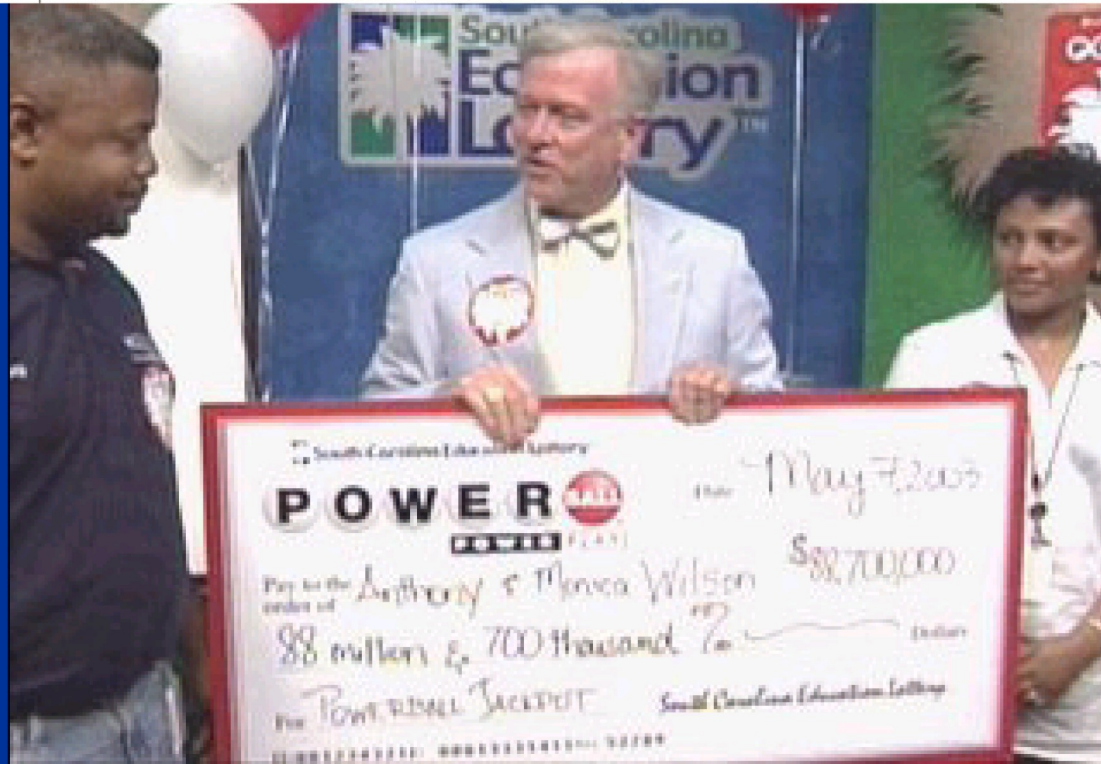
E . . . | Price varies by county | 50¢

\$88.7 MILLION

JACKPOT

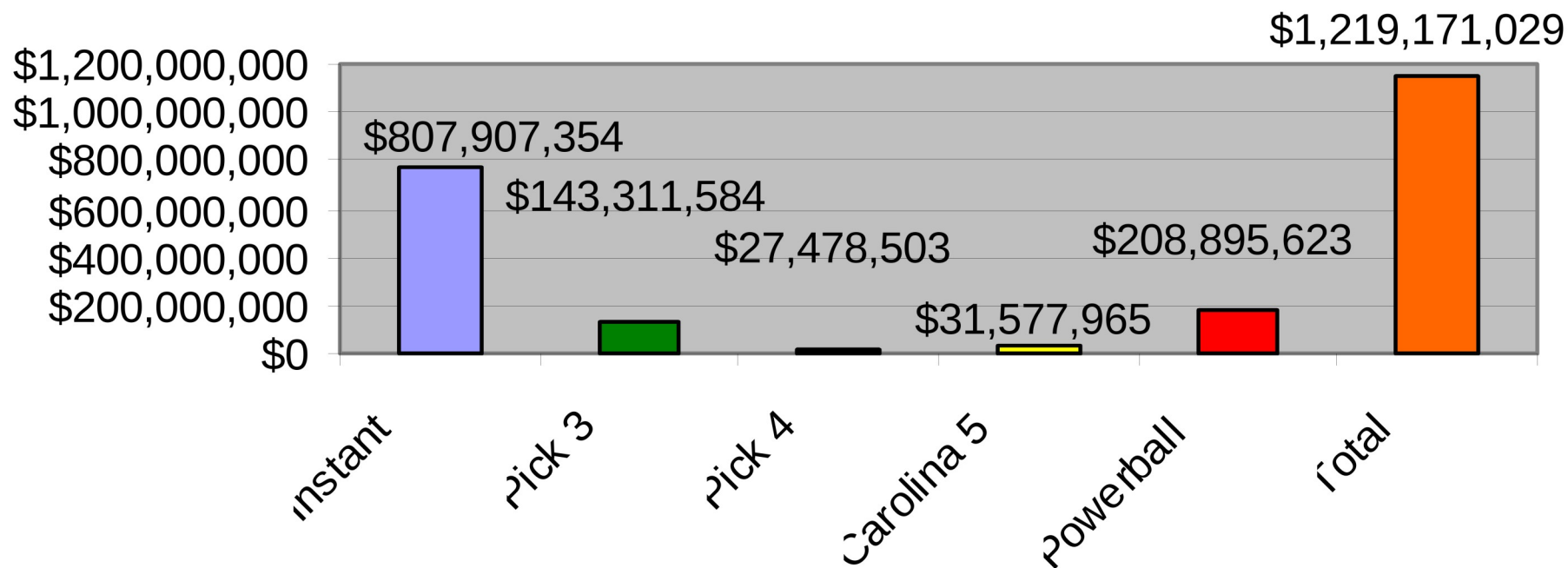
Charlotteans S.C.'s first Powerball winners

at
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Bush's
ach
billion in trims
pass House today

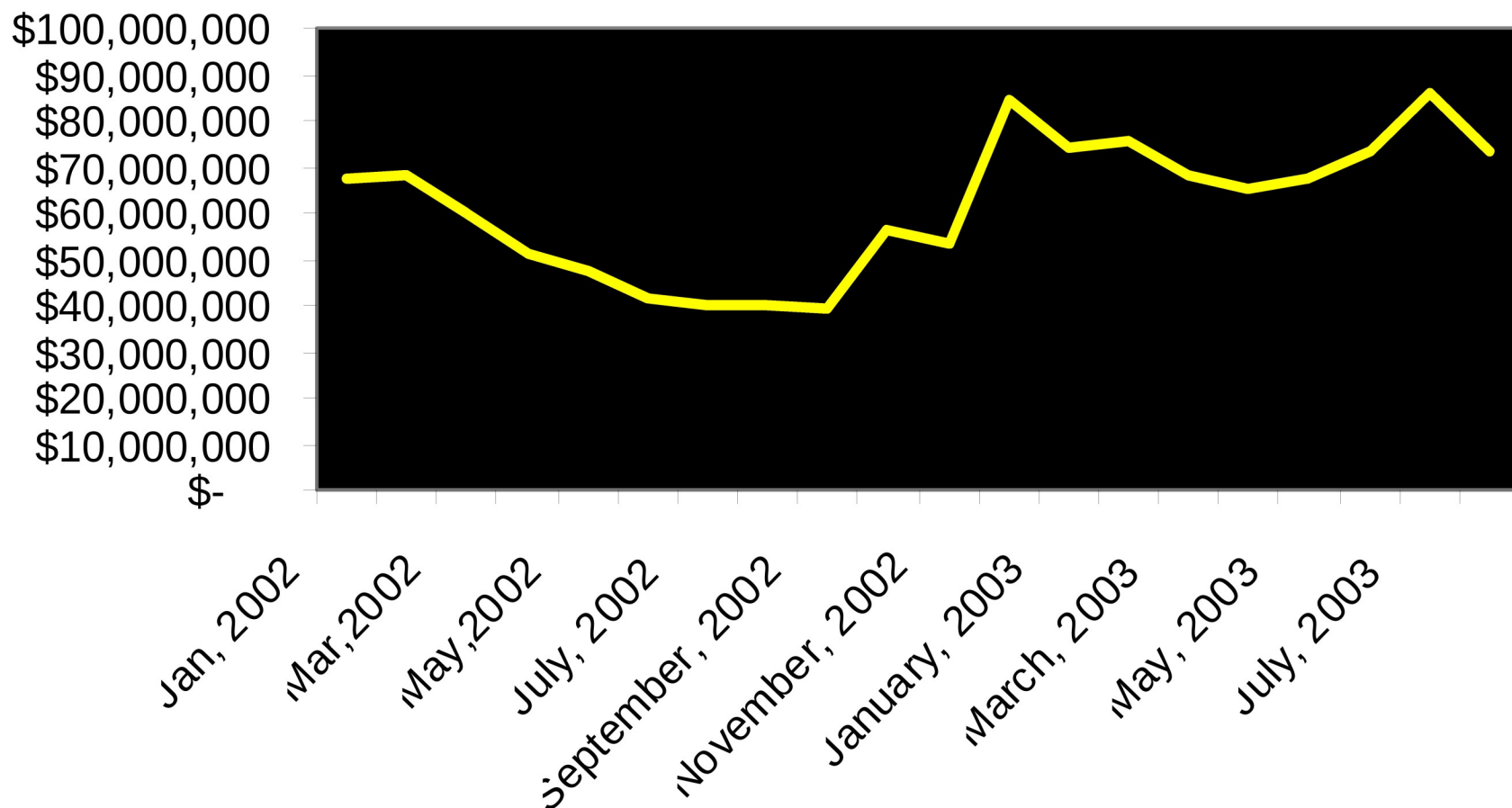




Financial Highlights from January 7, 2002 Through August 31, 2003



SCEL Gross Monthly Sales Tre



Top 10 County by County Sales through August 2003

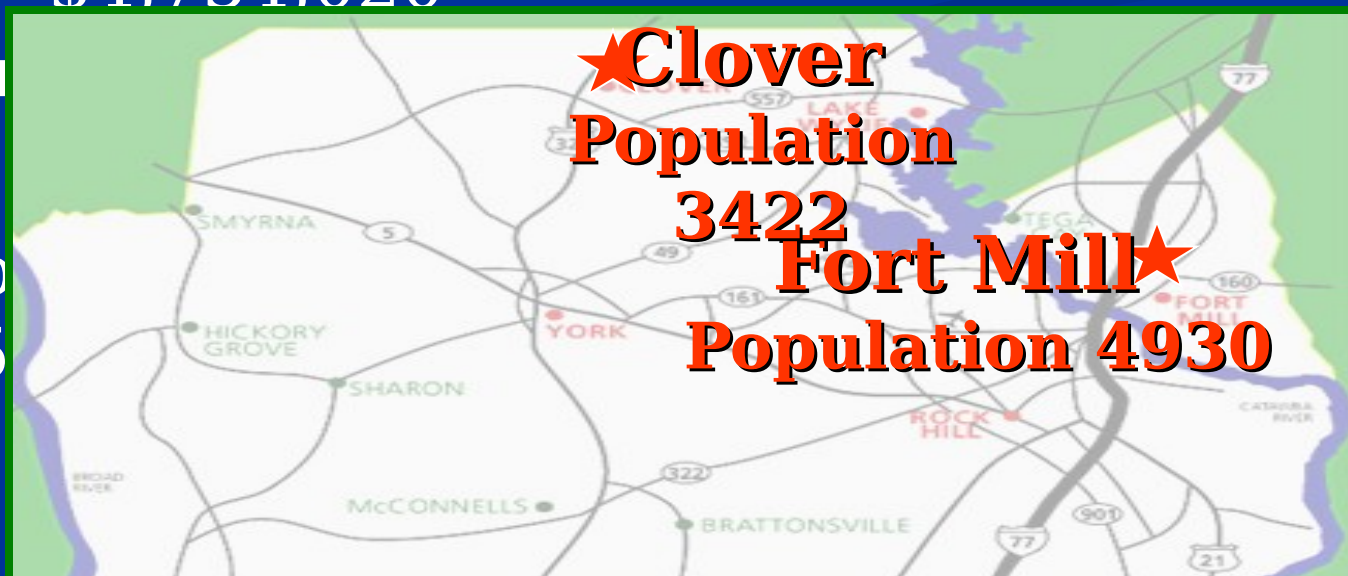
| County | Total Sales |
|-------------|--------------|
| York | \$94,044,921 |
| Horry | \$87,341,210 |
| Charleston | \$86,143,073 |
| Richland | \$82,019,390 |
| Greenville | \$79,366,168 |
| Spartanburg | \$68,514,801 |
| Lexington | \$52,910,672 |
| Florence | \$47,861,065 |
| Orangeburg | \$41,220,022 |
| Sumter | \$37,899,426 |

TOTAL SALES: \$ 1,219,171,02

Top Retailers Through the Month of August 2003

- Red Rocket Fireworks (York)
\$5,653,113
- Miller Produce & Farm, Inc. (York)
\$5,362,927
- Circle K Stores Inc. #5116 (York)
\$4,734,020

- Car (York)
- Clover
\$4,5





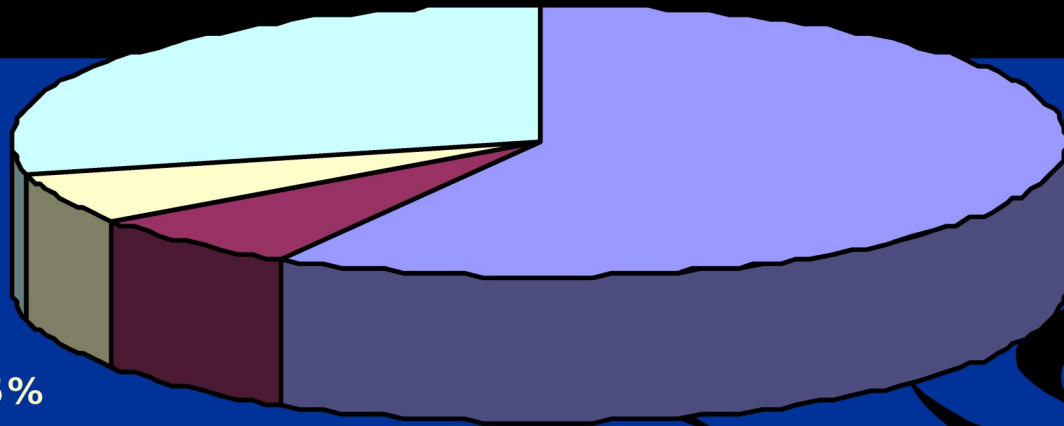
Breakdown of our Gross Proceeds of \$ 1,219,171,029

**Education Lottery
Account, 29%**

Prizes, 58%

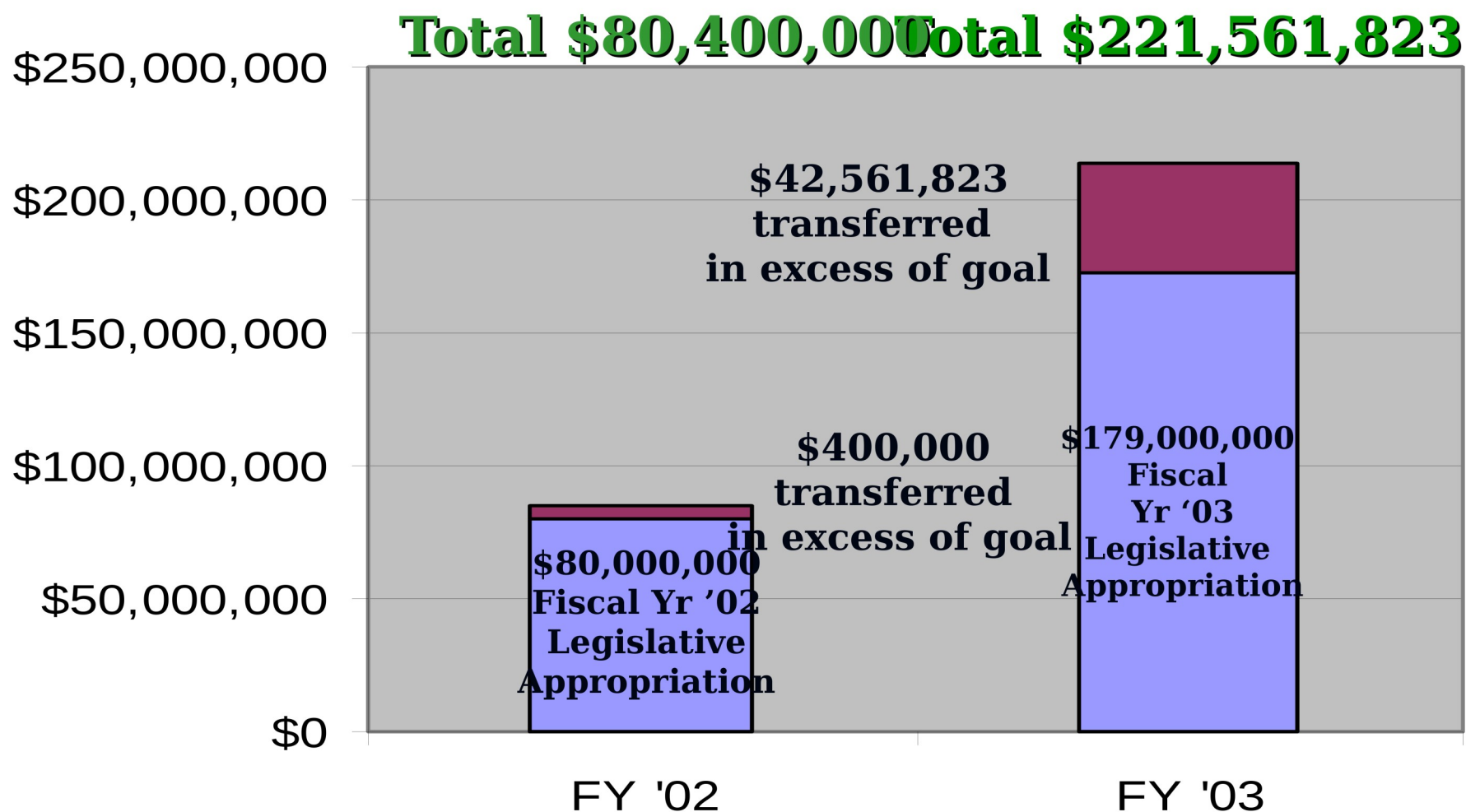
**Contracts &
Administration, 6%**

Retailer Commission, 7%



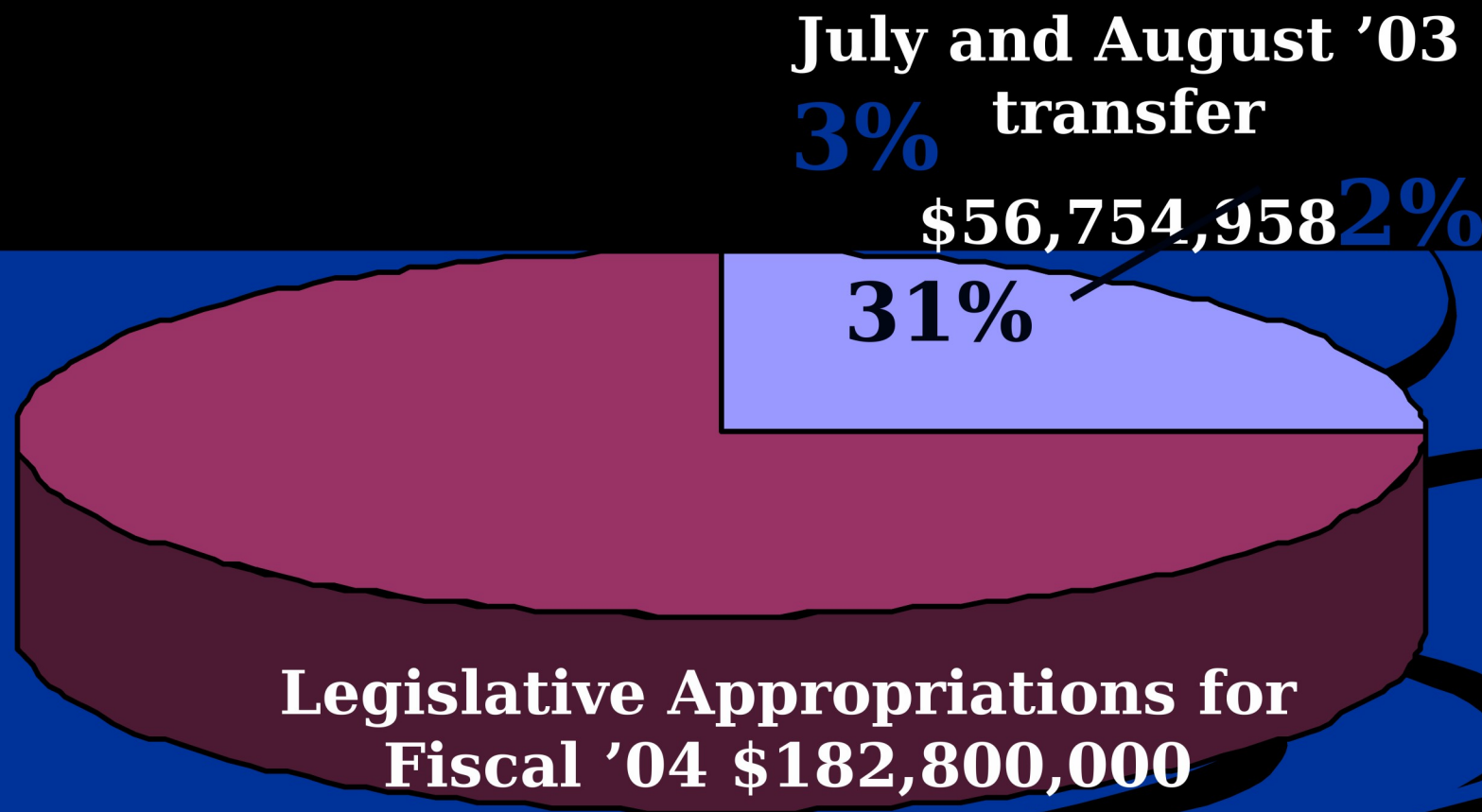
January 7, 2002 through August 31, 2003

SCEL Transfers for fiscal year '02 and '03





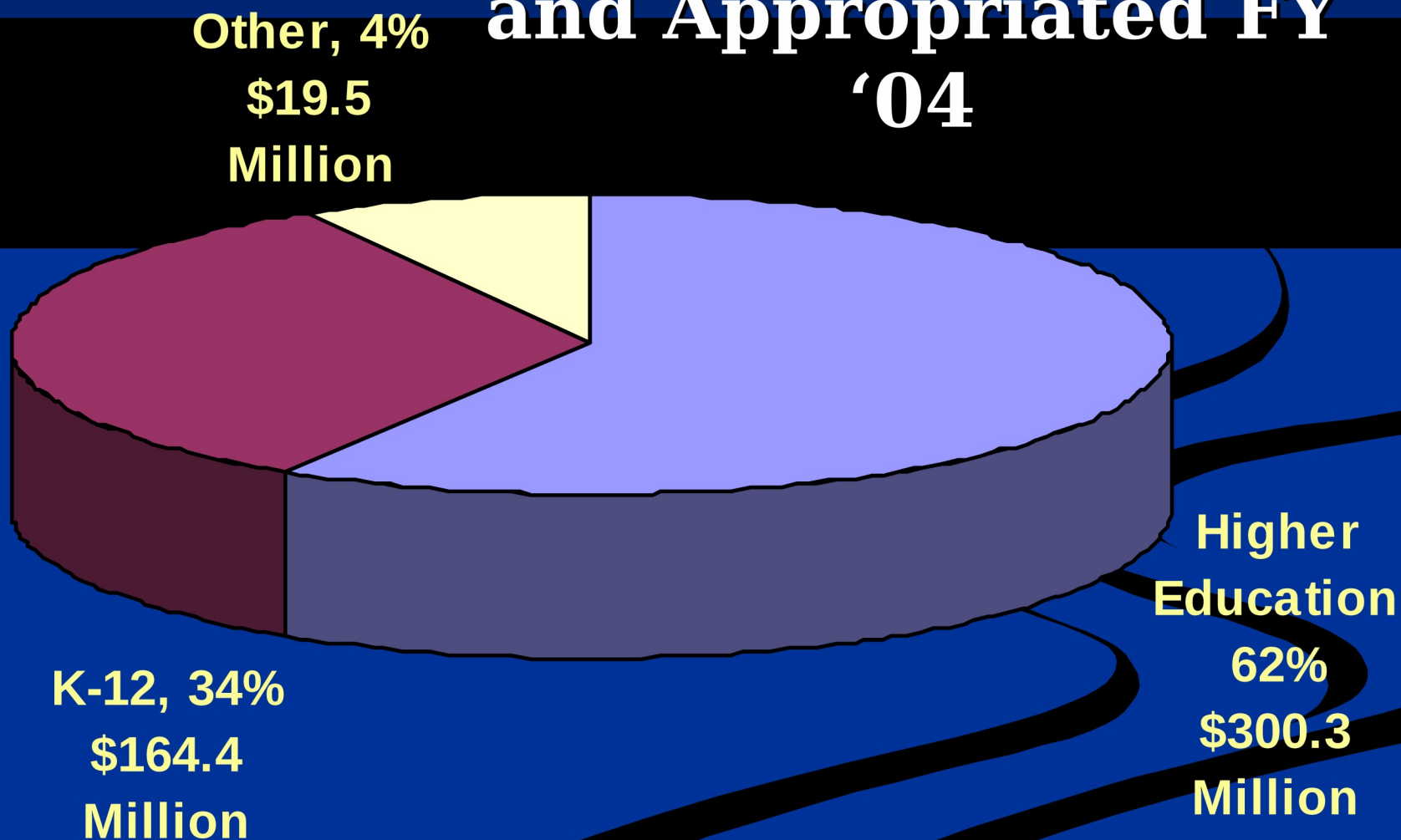
SCEL Education Fund Transfer for Fiscal Year '04 to Date:



Cumulative Education Fund Transfer to Date \$357,716,7

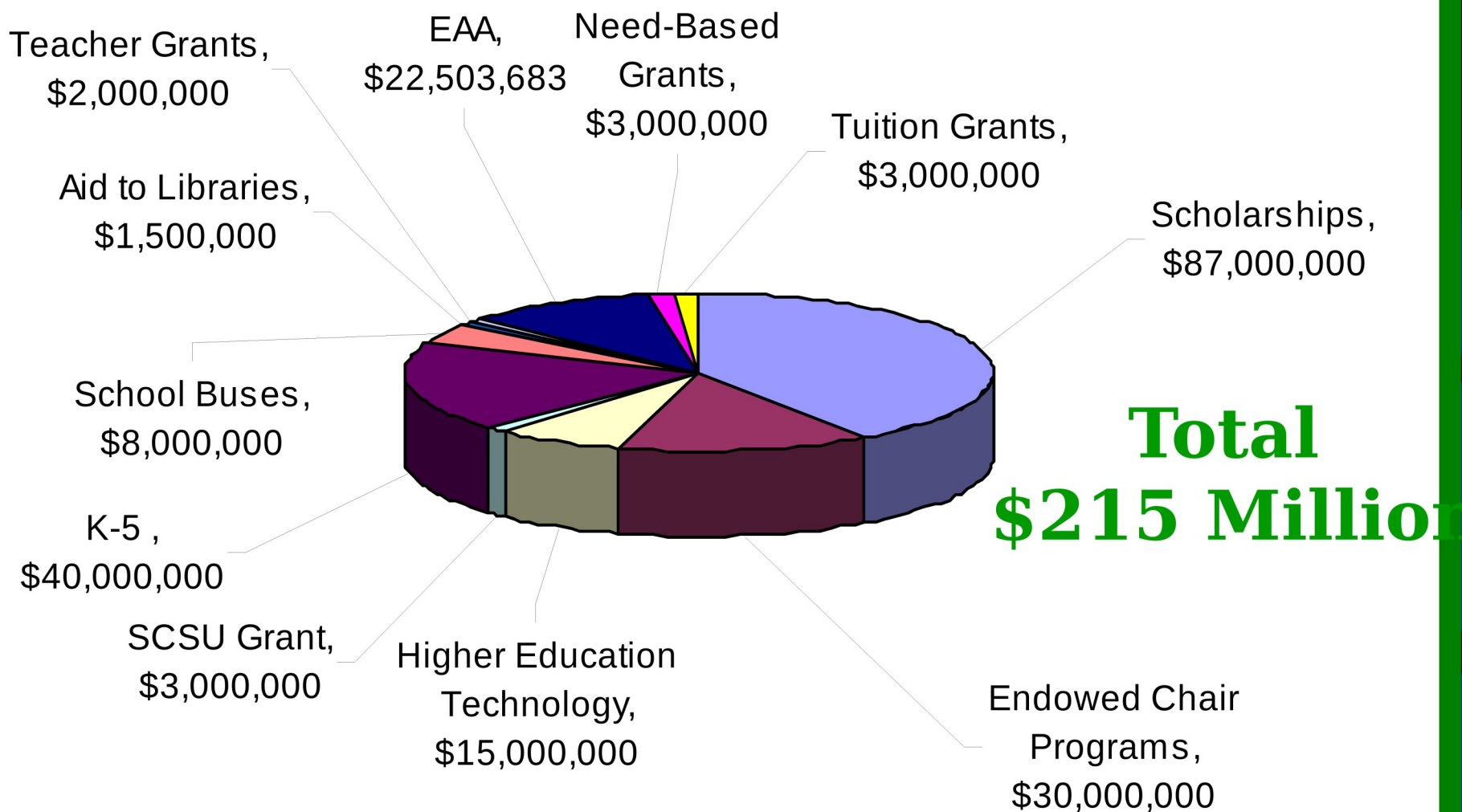


Lottery Funds Distributed FY '03 and Appropriated FY '04

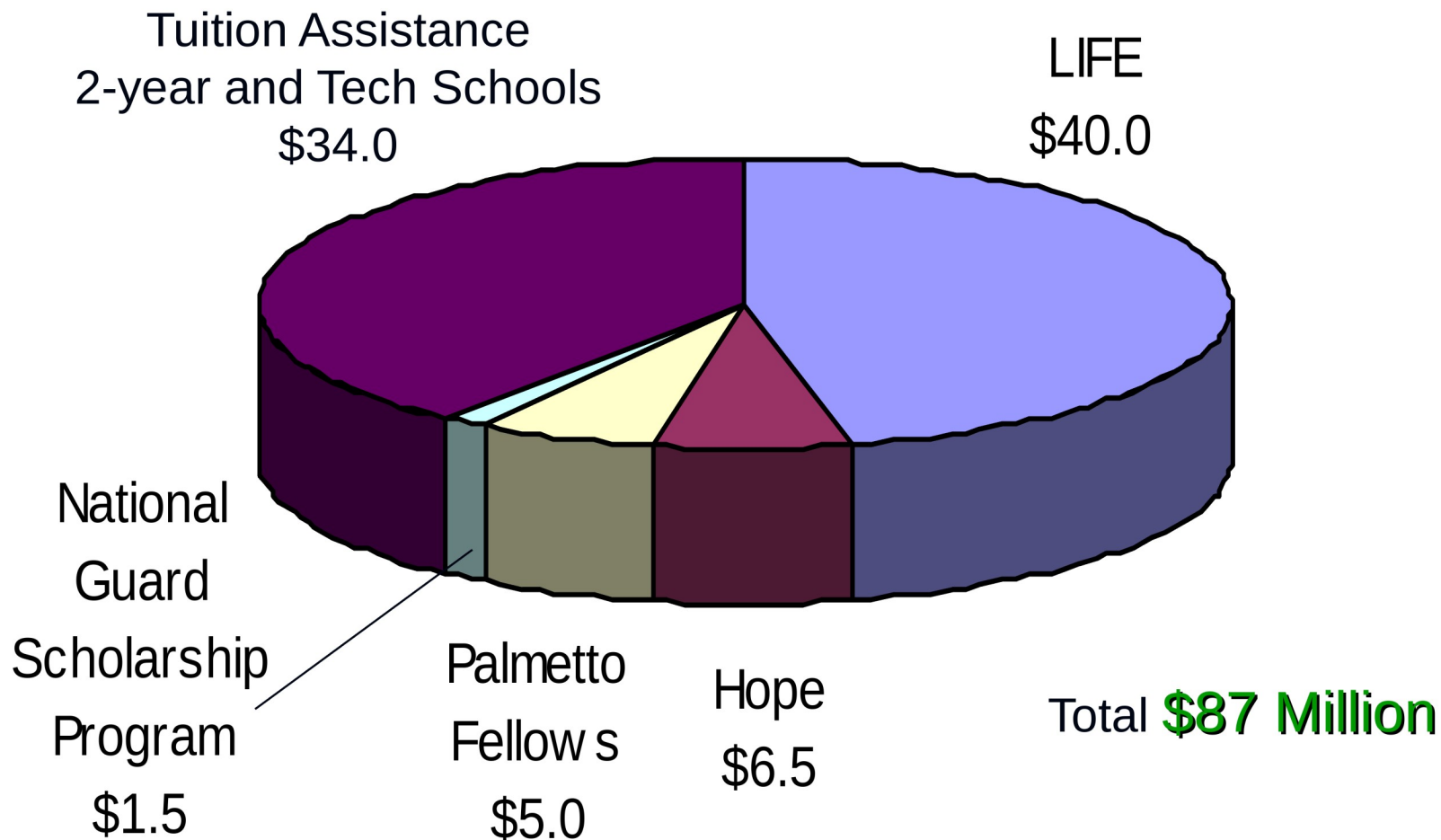


Total Appropriations \$484.2 Million

FY '04 Annual Appropriations



FY '04 Major Academic Scholarships Appropriations





**Over 100,000 lottery
scholarships awarded!**

\$15 million



ter
nar
Clemson
Endowed chairs



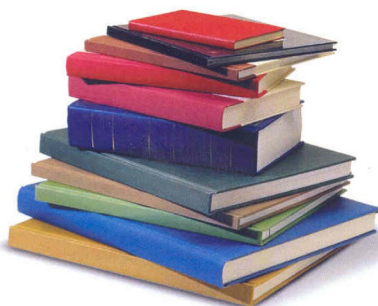
WILLI BMW

The Lottery's South Carolina program has purchased the largest number of new buses in the nation with 10,000 new buses



Where the Money Goes

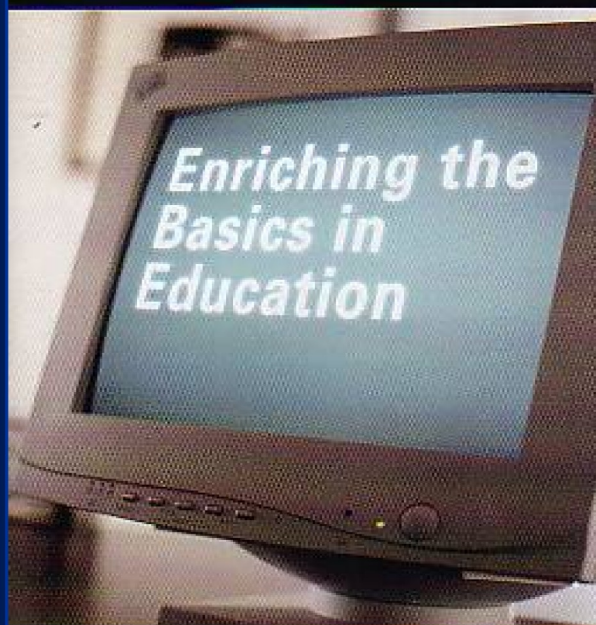
The ultimate purpose of the South Carolina Education Lottery (SCEL) is to support education in South Carolina, thereby building a better future for our state. Security and oversight are built into the process at every step to ensure ongoing integrity.



Information on SCEL



South Carolina Education Lottery™



Education Lottery
proceeds in South Carolina

OPERATING EXPENSES: CONTRACTS AND ADMINISTRATIONS

The Education Lottery Act requires that operating expenses cover all administrative expenses, including advertising and other contractual services. The Act states, "the amount spent on advertising must not exceed 7.5 million dollars during the initial year of operation of the lottery. During the second and subsequent years of operation of the lottery, the amount spent on advertising must not exceed one percent of the previous year's gross sales." S.C. Code Ann. §69-150-60 (A) (18) (Supp. 2001).

S.C. Code Ann. §69-150-350 (A) (Supp. 2001) states that the total amount of operating expenses and retailer commissions not exceed 15% of total sales. Operating expenses since startup have totaled 8%, permitting the remaining 2% as an additional allocation to the Education Lottery Account.

See below for a more detailed analysis of these costs.

| | |
|--|------------|
| Retailer Commissions | 7% |
| Contract for Instant Gaming Vendor (scratch-off tickets) | 1% |
| Contract for Online Gaming Vendor (number games) | 2% |
| Contract for Advertising | 1% |
| Administrative Costs | 2% |
| (capital costs, personnel costs, rental fees) | |
| Total | 13% |

EDUCATION LOTTERY ACCOUNT

The South Carolina Education Lottery Act §1(1) Act 59 of 2001 states, "proceeds of lottery games must be used to support improvements and enhancements for educational purposes and programs as provided by the General Assembly and that the net proceeds must be used to supplement, not supplant, existing resources for educational purposes and programs."

On a monthly basis, the SCEL transfers the estimated net proceeds of all lottery sales to the Office of the State Treasurer's Education Lottery Account. The responsibility for distributing lottery funds belongs to the State of South Carolina, not the SCEL.

In accordance with the Education Lottery Act, net proceeds consist of all revenue derived from the sale of lottery instant tickets and number games, less the cost of retailer commissions and operating expenses. From the start of lottery ticket sales on January 7, 2002, through the end of the fiscal year June 30, 2003, the SCEL has provided over \$300 million dollars to enhance educational opportunities for tens of thousands of South Carolinians.

Available at any Lottery Retailer



Play Twice A Day

Pick 4

Pick 3

Over \$280 Million to educate South Carolina's children

ABOUT THE LOTTERY

- How Education Wins >
- Calendar >
- Winners' Zone >
- Retailers' Zone >
- News >
- FAQ >
- Contact Us >

PROMOTIONS

- Vegas Jackpot >
- Harley-Davidson 2nd Chance >
- Caribbean Cash >
- Clean Sweep >

GAME INFORMATION



\$240,000,000

Current Estimated Jackpot







They're fun to play & fun to win!

Caribbean Cash



Win \$30,000 instantly, or one of 150...

Video Drawings



View our live video of today's drawing(s)...

Midday Drawings



Drawings now twice a day for...

< REGISTER HERE >

my lottery connect soon!

User Name Password

< SUBMIT >

CleanSweep Drawing



Win \$50 and help keep...

Vegas Jackpot



Become a contestant on Powerball Instant Millionaire...

What's New



Play our 3 new games!

FAST FACTS

Pick 3, Pick 4 and Carolina 5 drawings are broadcast LIVE throughout the state.

Winners are everywhere!



> Deborah Hubby will tell anyone that she is the luckiest mom in South Carolina. Because today, May 12, 2003, she was awarded \$400,000...

LOTTERY NEWS

- > POWERBALL JACKPOT ROLLS TO \$200 MILLION...
- > SCEL CELEBRATES SUMMER GAMES ...
- > North Carolina couple wins \$400,000!...

read more news...

< NEAREST RETAILER

Zip Code

< SUBMIT >

Disclaimer | Contact Us | Play Responsibly | Avoiding Lottery Scams | Download Claim Form | Employment

L/Palmetto Pride Litter Abatement Program Second Chance Drawings Partnership



**What is the Amber Alert system?
How is SCEL going to participate?
The AMBER alert - America's Missing:**

- **Broadcast Emergency Response-** is a voluntary partnership between law-enforcement agencies and broadcasters to activate an urgent bulletin.
- **Questions and answers** will scroll "AMBER ALERT - SEE POSTED MESSAGE" to direct players and customers to read a more detailed report of the ALERT.





Have Fun, Play Smart, Play Responsibly™

**If you or someone you know has a problem gambling,
please seek help through one of these resources.**

National Gambling Help Hotline 1-800-522-4700,

Live support 24 hours a day, 7 days a week.

(hotline provided by The National Council on Problem Gambling)

**HOW
DO
WE
COMPARE**



United States lotteries fiscal year '03 rankings

South Carolina Education Lottery is ranked:

- **Number 17 in total sales.**
- **Number 14 in weekly per capita total sales.**
- **Number 1 in the percentage change in prior year's total sales.**
- **Number 8 in instant per capita sales.**
- **Number 2 in the percentage change in total instant sales.**

(source: *La Fleur's Magazine*)

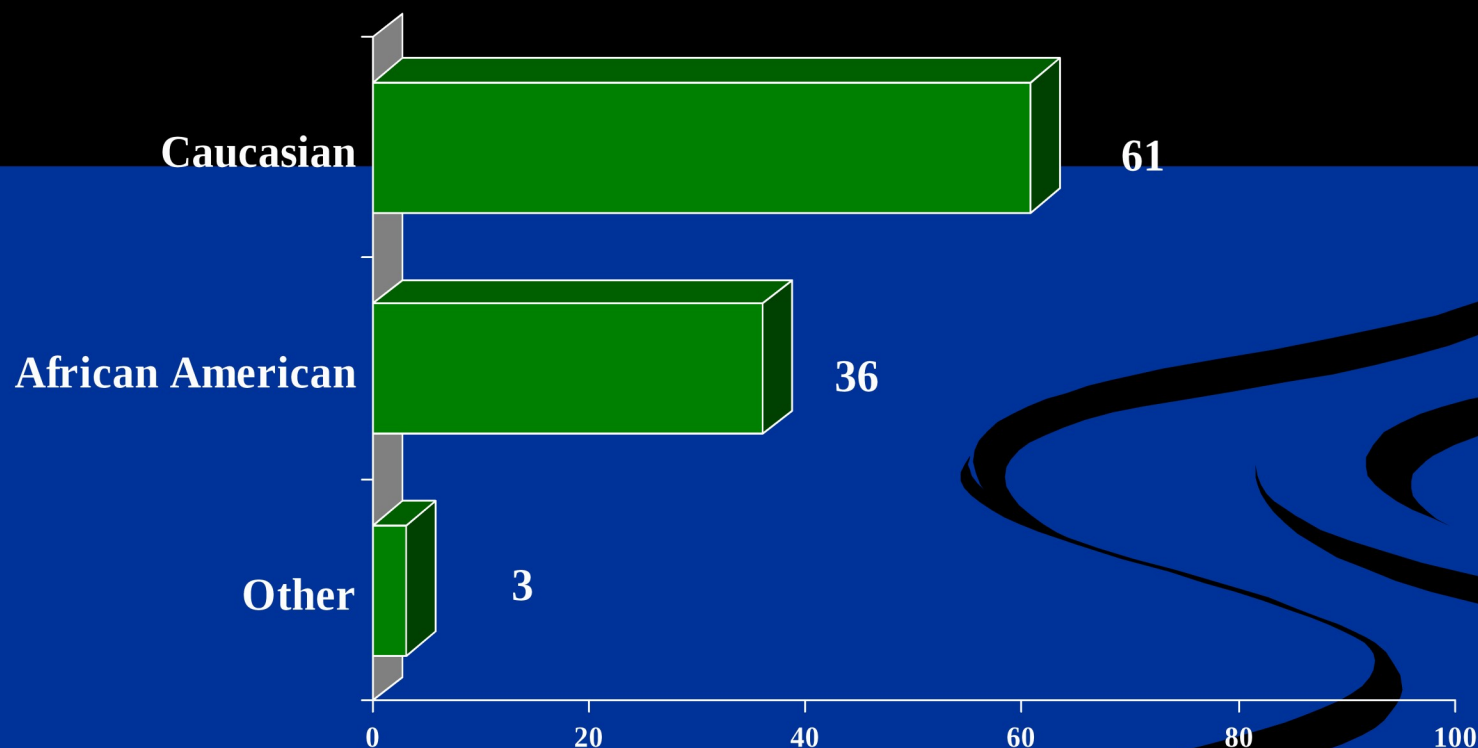
A MarketSearch Study

**2002 South Carolina
Education Lottery
Player Demographic Study**

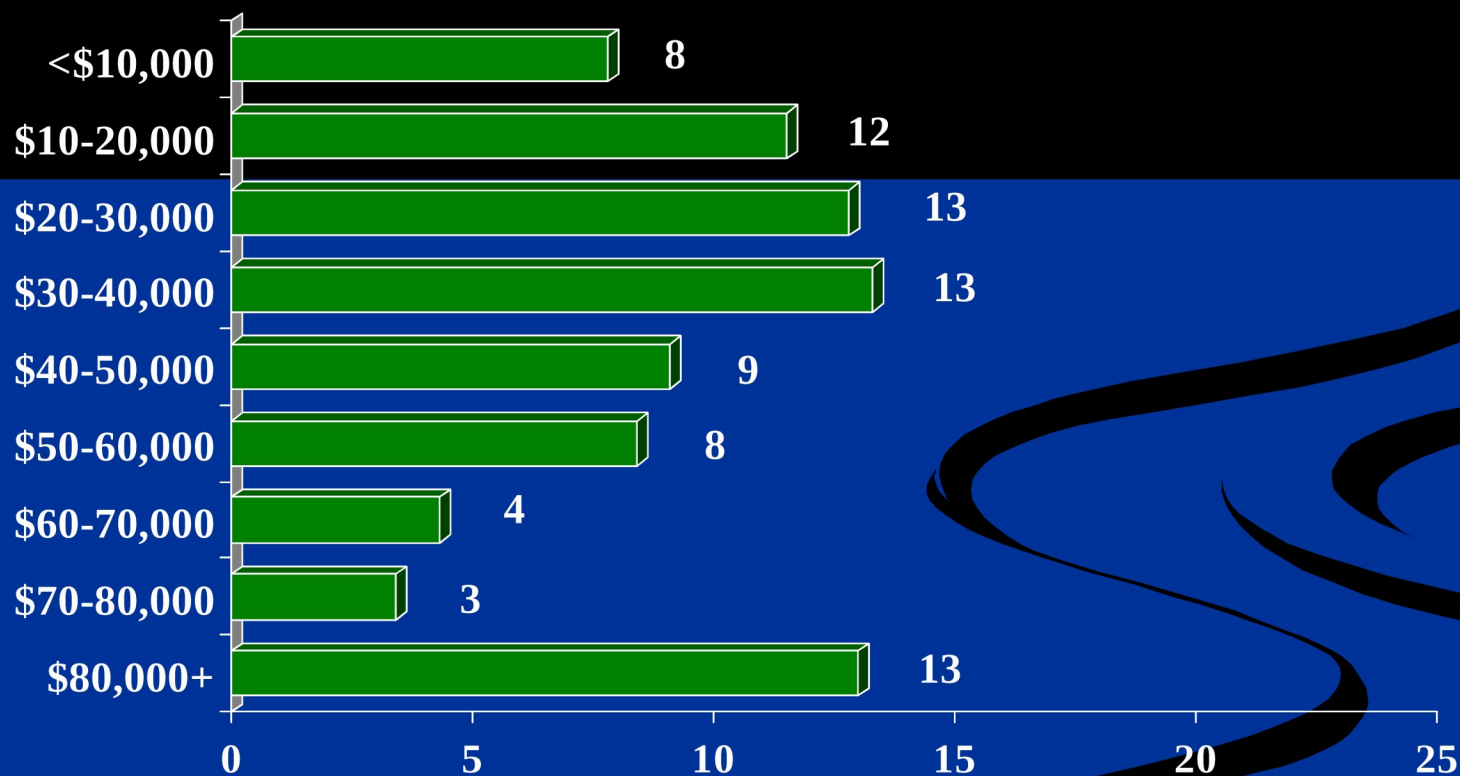
November 2002

MarketSearch Corporation
2721 Devine Street
Columbia, SC 29205
803/254-6958

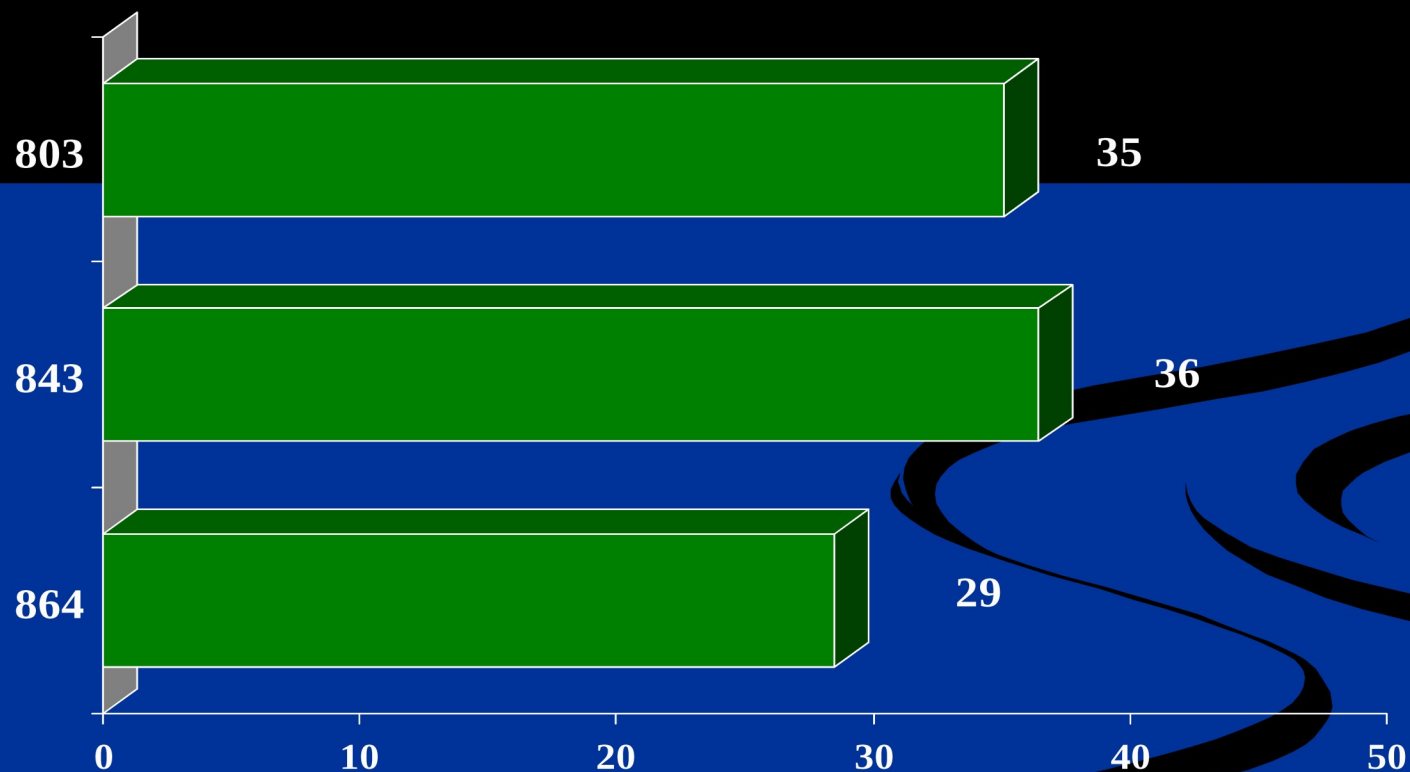
Players Demographics: Ethnicity



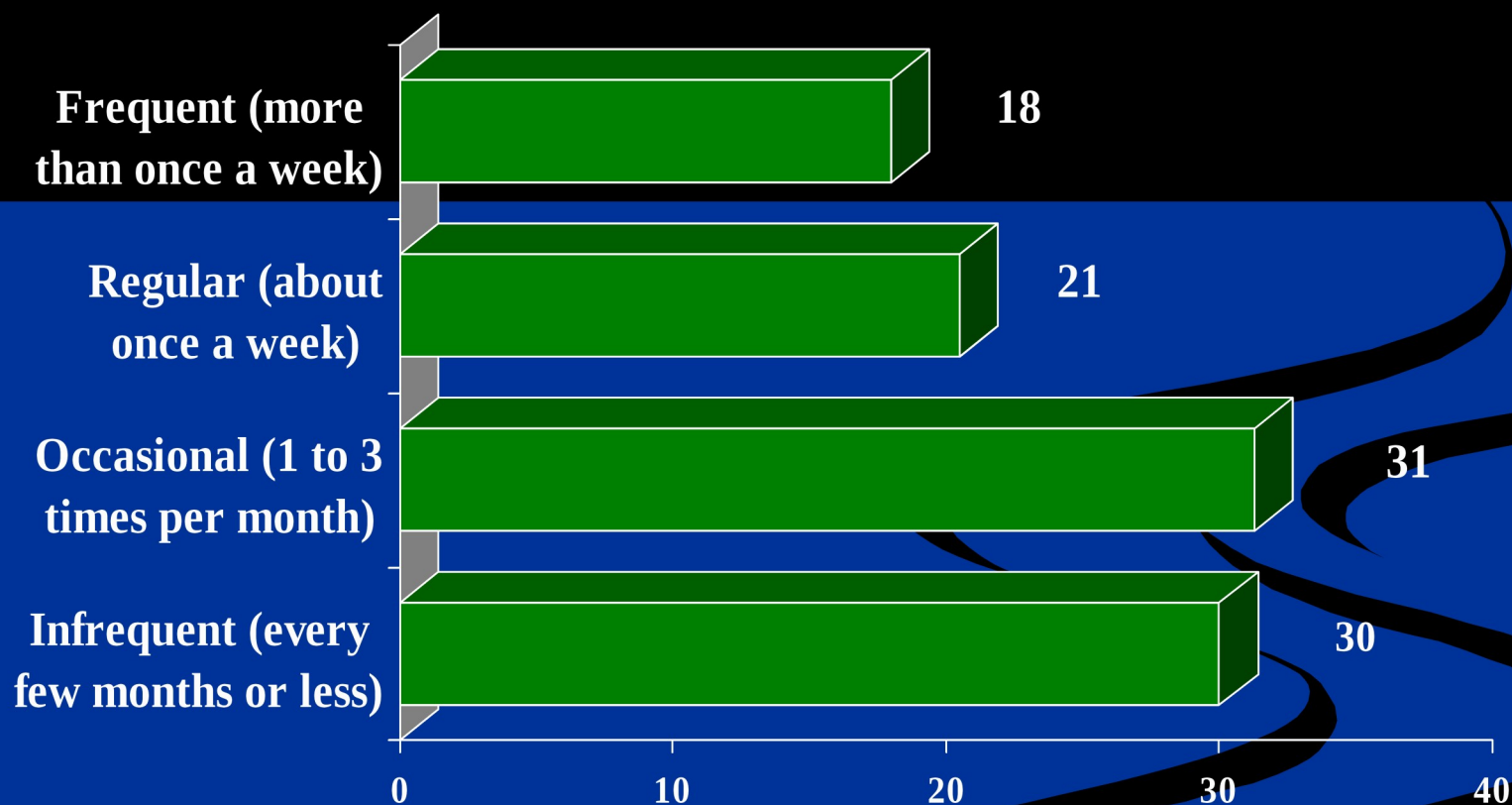
Player Demographics: Household Income



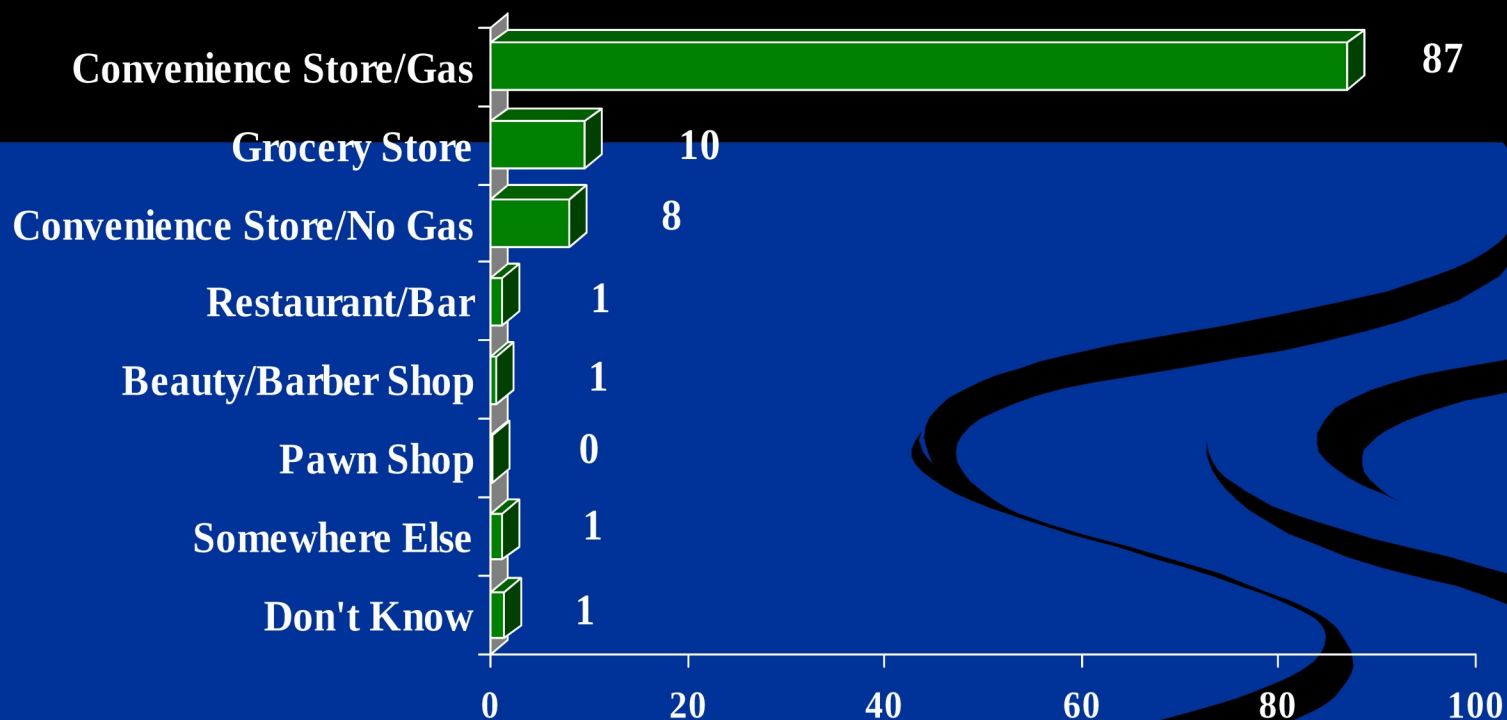
Player Demographics: Area Code



General Frequency of Play (any game, among SC Education Lottery Players)

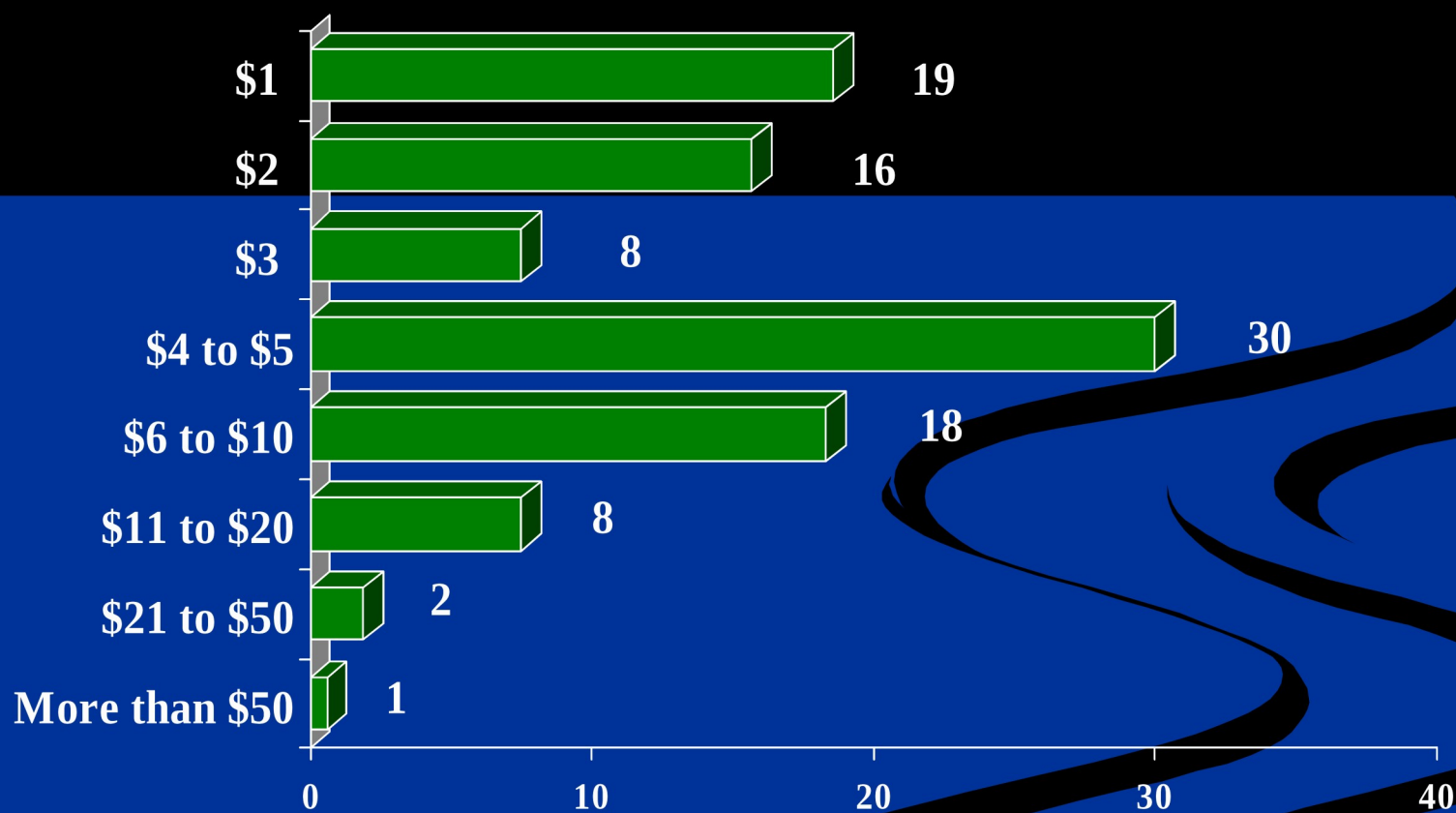


Where Usually Purchase Lottery Ticket (multiple response)





Average \$\$ Spent Per Lottery Purchase (among SC Education Lottery Players)



Powerball National Demographics

■ Gender

- Male-49%
- Female-51%

■ Age

- 18-34 (29%)
- 35-54 (44%)
- 55+ (27%)
- ✓ *Mean Age 39.1*

■ Education

- Less than HS (6%)
- HS Graduate (29%)
- Some College (38%)
- College Grad (27%)

■ Income

- Less than \$24,999 (13%)
- \$25,000-\$49,999 (32%)
- Over \$50,000 + (47%)
- ✓ *Mean \$33,900*

***Average purchase is over \$2.90 per draw!**



**Looking
To
The
Future**

SCEL - Challenges

- **Revenue Enhancement Opportunities**
- **Cost Reduction Opportunities**
- **Retail Environment of the 21st Century**
- **Legislative Changes**
- **Gaming Expansion - Interstate and Intrastate**
- **Gaming on the Internet**

